

SECRET

DPD-311-59

Hycon Mfg. Company
Pasadena, California

MAY 12 1959

Attention: [redacted]
Vice President, Engineering

25X1

Subject : Contract No. BC-200

Gentlemen:

Reference is made to your letter No. LN-583 and discussion with your [redacted] on 7 May 1959 concerning profit on Contract No. BC-200.

Your letter has been reviewed and your statements therein given careful consideration. At the present time we are \$72,000 apart in total price (\$2,870,000 vs \$2,798,000). We believe that the price differential lies in the acceptable cost rather than in the profit for the work.

In determining the cost to which profit should be applied we applied the same principles that were used in earlier settlements. As to profit, we applied a rate of 12% to the accepted cost base. This resulted in a profit of approximately \$38,000 in excess of the ceiling profit. As you are aware, a number of contractors have also underrun on this program, but you are the only contractor to be offered in excess of the ceiling profit. If anything, we have been extremely generous, and the figure of \$2,798,000 was offered to effect a quick settlement.

The undersigned feels that after again considering all the facts, he cannot increase his offer of \$2,798,000.

Very truly yours,

SIGNED

[redacted]
Contracting Officer

25X1

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HPD-DD/P [redacted] pf

Distribution:

- 1 - Hycon
- 1 - BC-200, Price Redet. File
- 1 - Finance, DPD
- 1 [redacted]
- ✓ 1 - Chrono

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25 YEAR
RE-REVIEW

SECRET